

NIGERIA ECONOMIC REVIEW AND OUTLOOK FOR 2026

Introduction

The year 2025 has been one of complex macroeconomic adjustments for Nigeria, marked by persistent structural challenges, ongoing reforms in the monetary and fiscal landscapes, and the gradual implementation of policy measures aimed at repositioning the economy on a path of sustainable stability. The domestic and global economic environments have remained intricately linked, with movements in global commodity prices, tightening monetary conditions across major economies, shifts in geopolitical alignments, and evolving dynamics in international capital flows exerting significant influence on Nigeria's macroeconomic fundamentals. This review examines macroeconomic conditions and financial market performance in 2025 and provides a forward-looking outlook with strategic recommendations for 2026, from the perspective of market development, investment sustainability, and economic resilience.

Macroeconomic Indicators in 2025

In 2025, Nigeria's macroeconomic performance reflected cautious stabilization rather than robust expansion. Economic growth remained modest, driven largely by services, telecommunications, and pockets of recovery in agriculture, while oil output benefited intermittently from improved security and operational efficiencies. Nigeria recorded moderate economic expansion, with growth typically ranging from about 3.13% to 4.23% of GDP, driven by higher crude oil output gains and resilient services and non-oil activity. Real GDP expansion was supported by structural reforms and stronger oil export receipts.

The GDP grew by 3.13%, 4.23% and 3.98% in Q1, Q2 and Q3 respectively. The growth was driven by services sector, agriculture and industry. In mid-2025, NBS rebased the GDP, changing the base year from 2010 to 2019. This "rebasement" raised Nigeria's nominal GDP to US\$243.3 billion for 2024, a 34.4% increase from the earlier estimate of about \$188 billion. Despite the rebased GDP, Nigeria remains the continent's fourth largest economy, behind South Africa, Egypt and Algeria. The service sector still remains the major driver of our economy (53%).

Inflation eased significantly, dropping from multi-decade highs in 2024 (above 30%) to around 15.15% – 27.61% over 2025, reflecting CBN tightening, FX stability, and base effects. The naira's exchange rate stabilized, aided by foreign exchange reforms, higher reserves, and improved portfolio flows, with forex markets showing narrower parallel/official spreads. Foreign exchange reserves remain ample, reducing external liquidity stress. The 2025 policy mix emphasized macroeconomic stabilization, with fiscal support aligned to balance controlling inflation and supporting growth.

Inflation remained one of the most challenging macroeconomic concerns for Nigeria throughout 2025. Nigeria's headline inflation dropped in comparison with that of 2024. For example, headline inflation rate eased to 17.33% in November, 2025 and 15.15% in December, 2025. This is significantly lower than the 34.80% recorded in December, 2024, showing a notable deceleration in headline inflation over the twelve-month period. This was majorly driven by rebasing of the consumer price index (CPI), tighter monetary policies by the CBN and stabilisation of the exchange rate.

Fiscal conditions in 2025 were characterized by ongoing revenue mobilization efforts and expenditure rationalization. Non-oil revenue performance improved gradually due to tax administration reforms and digitalization initiatives, yet fiscal space remained tight due to high debt servicing obligations. Public debt sustainability concerns persisted, not necessarily from debt stock size alone but from the rising cost of servicing in a high-interest-rate environment. On the external front, the current account position benefited from improved remittance inflows and selective export gains, though vulnerability to global commodity price shocks remained evident.

Geopolitical Developments in 2025

Geopolitical developments in 2025 underscored a sustained transition toward a more fragmented, uncertain, and strategically competitive global environment, with far-reaching economic and financial consequences. Prolonged conflicts in Eastern Europe and the Middle East remained major sources of risk, driving volatility in energy and commodity markets and reinforcing inflationary pressures. These supply-side shocks complicated monetary policy across advanced and emerging economies, as central banks navigated the trade-off between price stability and weakening growth.

Strategic rivalry among major powers, notably between the United States and China, intensified through expanded trade restrictions, technology controls, and industrial policy measures. This accelerated the restructuring of global value chains, improving supply security but raising costs and dampening the efficiency gains of globalisation. Consequently, global trade and investment growth remained subdued.

For developing and frontier economies, elevated debt, tighter financial conditions, exchange-rate pressures, and climate-related security risks heightened vulnerability, reinforcing the importance of resilience-building reforms, sound macroeconomic management, and strengthened multilateral cooperation.

2025 Financial Market and Monetary Policy

Monetary policy in 2025 remained firmly anchored on inflation control and exchange rate stability. The Central Bank of Nigeria sustained a tight monetary stance for most of the year, using policy rate adjustments, liquidity management tools, and market-based foreign exchange reforms to curb excess demand pressures. The monetary policy committee (MPC) met five times this year. In Feb

2025, MPC retained MPR at 27.50%. In May 2025, MPC retained MPR at 27.50%. In Jul 2025, MPC retained MPR at 27.50%. In Sep 2025, MPC cut MPR by 50 bps to 27.00% at the 302nd MPC meeting on 22–23 Sep 2025; therefore month-end Sep = 27.00%). In Nov 2025, MPC retained MPR at 27.00%.

While these measures contributed to improved confidence in the foreign exchange market and a narrowing of arbitrage opportunities, they also elevated borrowing costs and constrained private sector credit growth. The exchange rate at the official window was ₦1540 to \$1 as at 2nd January, 2025. As at 31st December, 2025, the exchange rate at the official window was ₦1,450 to \$1. The exchange rate remained one of the most closely watched indicators in 2025. The ongoing reforms aimed at unifying exchange rate windows and liberalizing the FX market produced mixed short-term results but laid groundwork for longer-term market efficiency.

The banking sector demonstrated resilience amid these conditions, supported by improved capitalization, enhanced risk management practices, and regulatory oversight. Asset quality remained broadly stable, although exposure to interest rate risk and sectoral concentration required continued vigilance. The fixed income market experienced heightened activity, driven by attractive yields on government securities, which appealed to both domestic and foreign portfolio investors. However, the dominance of government borrowing continued to crowd out private sector issuances, highlighting the need for deeper financial intermediation.

2025 Capital Market Performance

Nigeria's capital market recorded a comparatively strong performance in 2025, reflecting renewed investor confidence and strategic sectoral repositioning. The equities market benefited from a convergence of inflation-hedging behaviour, improved corporate earnings in select sectors, and increased participation by institutional investors. Banking, insurance, industrial goods, and consumer-related stocks emerged as key drivers of market performance during the year. In contrast, equities in the oil and gas and power sectors underperformed, reflecting sector-specific challenges and structural constraints.

The Nigerian Exchange (NGX) recorded robust growth in 2025, with total market capitalisation increasing from ₦62.7 trillion at the end of 2024, when the NGX All-Share Index (ASI) closed at 102,926.40 points, to ₦99.38 trillion by 31 December 2025, with the ASI closing at 155,613.03 points. This performance reflects more than short-term market momentum. On a year-to-date basis, the NGX ASI delivered a return of 51.19% in 2025, significantly outperforming the 37.65% recorded in 2024. The improvement points to a broad-based recovery in investor confidence in Nigerian equities, suggesting that market participation was widespread rather than concentrated in a few sectors or stocks. Beyond equities, other segments of the capital market, including fixed income instruments, exchange-traded funds (ETFs), as well as trading platforms such as FMDQ and NASD, also recorded notable growth in 2025, underscoring the strengthening depth and resilience of Nigeria's capital market ecosystem

Despite these gains, market depth and breadth remained constrained, with trading activity concentrated in a relatively limited number of listed companies. Activity in the primary market was subdued, as prevailing macroeconomic uncertainties dampened appetite for new equity listings and corporate bond issuances. Nevertheless, ongoing regulatory initiatives focused on enhancing market transparency, strengthening digital trading infrastructure, and improving investor protection continued to reinforce the overall market architecture. As a result, the capital market increasingly functioned as a critical platform for wealth preservation and long-term financing, even as it awaited broader structural reforms to fully unlock its growth potential.

Outlook for 2026

The outlook for 2026 is cautiously optimistic, predicated on the assumption of sustained policy consistency, improved fiscal-monetary coordination, and gradual easing of macroeconomic distortions. Economic growth is expected to strengthen moderately, supported by increased oil production stability, expansion in the digital economy, and targeted investments in agriculture and manufacturing. Inflation is projected to decelerate gradually, contingent on exchange rate stability, improved food supply chains, disciplined monetary management and improved security of live and properties.

Nigeria enters 2026 with a cautiously optimistic macroeconomic and capital market outlook. Building on the gains of 2025, the economy is expected to experience moderate GDP growth of 3.8–4.6%, supported by policy consistency, fiscal prudence, and stabilizing commodity prices. Inflation is projected to remain contained within 12–16%, contingent on stable foreign exchange conditions, lower pass-through from energy prices, and continued supply-side interventions.

The naira is likely to exhibit moderate stability, with forecast ranges of ₦1,410–1,519/USD, reflecting both improved reserves and sensitivity to crude oil price fluctuations. Oil prices are expected to remain in the mid-range of US\$50–70 per barrel, providing a manageable revenue base while still subject to global supply and geopolitical risks.

Capital market activity is anticipated to benefit from sustained portfolio inflows, particularly if transparency, FX pricing, and institutional returns continue to improve. The equities market may experience modest to positive gains under a scenario of stable inflation, FX, and investor confidence, with financials, consumer staples, and select industrial sectors remaining key drivers. Fixed income and alternative instruments such as infrastructure bonds, green finance, and sukuk are expected to expand, supported by gradual monetary easing and targeted credit schemes. The NGX market capitalization for equities is forecast to hit ₦170 trillion

Fiscal and monetary policy will remain central to market performance. Fiscal discipline, improved revenue administration, and strategic expenditure targeting are crucial to reducing debt servicing pressures and sustaining investor confidence. The Central Bank of Nigeria is likely to adopt a cautious easing bias, balancing liquidity support with vigilance over capital flows, credit conditions, and FX stability, which will directly influence bond yields and equity valuations.

Regulatory and structural reforms are expected to continue, with a focus on market transparency, corporate governance, and investor protection. These efforts will underpin the capital market's role as a platform for wealth preservation, long-term financing, and inclusive participation, while broader reforms and infrastructure development remain necessary to unlock its full potential.

Overall, 2026 presents an opportunity for Nigeria's capital market and the economy to consolidate its 2025 gains, expand participation, and strengthen resilience, provided that macroeconomic stability, policy coherence, and investor confidence are sustained.

Recommendations for 2026

Nigeria's 2025 experience highlights notable policy progress, macroeconomic resilience, and a revival of the capital market, while also exposing persistent structural vulnerabilities, including commodity dependence, fiscal deficits, and inflation inertia. As the country moves into 2026, prudent calibration of monetary and fiscal policies, deepened market reforms, and strengthened investor confidence will be essential to support robust economic growth and sustainable capital market performance.

To consolidate gains and strengthen economic resilience in 2026, a coordinated set of policy and market-focused actions is imperative. First, macroeconomic policy consistency must be maintained, with clear communication to anchor expectations and sustain investor confidence. Controlling inflation should remain a priority, complemented by structural interventions that address supply-side constraints, particularly in food production and energy distribution. Second, fiscal reforms should deepen revenue diversification and improve expenditure efficiency, with particular emphasis on reducing the debt service burden through innovative financing and asset-optimization strategies.

Third, the financial system should be leveraged more strategically to stimulate productive investment, through a gradual normalisation of interest rate conditions as macroeconomic stability strengthens, complemented by targeted credit-enhancement initiatives for priority sectors. Fourth, capital market development should be accelerated through incentives for new listings, support for small and medium-sized enterprises, and the expansion of alternative instruments such as infrastructure bonds, green finance, and sukuk. Fifth, the nation must diversify its foreign exchange revenue base and prioritise local consumption over import dependence to strengthen domestic manufacturing, conserve foreign exchange, create jobs, and enhance long-term economic resilience. Finally, institutional capacity building, enhanced data transparency, investor education, and ethical governance should be strengthened to ensure market integrity and broaden inclusive participation.

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